

Message Text

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C O N F I D E N T I A L CAIRO 6462

EXDIS

E.O. 11652: GDS

TAGS: OVIP (ROBINSON, CHARLES W.) USEGJC EAID

SUBJECT: EMERGENCY ASSISTANCE TO EGYPT: MEETING WITH FINANCE
MINISTER

REF: CAIRO 6413

1. SUMMARY: AT JUNE 28 MEETING WITH UNDERSEC ROBINSON, GOE FINANCE MINISTER ABU ISMAIL EXPRESSED GRATITUDE FOR USG HELP IN ORGANIZING EMERGENCY FINANCIAL ASSISTANCE FOR EGYPT. HE UNDERLINED FAVORABLE IMPACT OF PRESIDENT FORD'S PLEDGE AT SALZBURG TO HELP EGYPT'S ECONOMIC DEVELOPMENT AND OF USG EMERGENCY ASSISTANCE EFFORTS IN RESTORING CONFIDENCE OF CREDITORS IN GOE FINANCIAL STABILITY. IN DISCUSSION OF CONTRIBUTIONS FROM VARIOUS DONORS, UNDERSEC INDICATED HOPE TO COLLECT \$1 BILLION, \$250 MILLION OF WHICH WOULD BE AVAILABLE FROM US WITHIN NEXT FOUR MONTHS. ABU ISMAIL THANKED UNDERSEC AND ASKED HIM TO OBTAIN MAXIMUM AMOUNT POSSIBLE SINCE GOE NEED WOULD CONTINUE INTO CY 76. END SUMMARY.

2. FOLLOWING RETURN FROM MEETING WITH PRESIDENT SADAT IN BORG-AL-ARAB, ALSO ATTENDED BY FONMIN FAHMY,
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UNDERSEC ROBINSON AND AMBASSADOR, ACCOMPANIED BY

POATS AND DCM, MET JUNE 28 WITH FINMIN DR. ABU ISMAIL IN CAIRO. RECALLING SALZBURG MEETING BETWEEN PRESIDENTS FORD AND SADAT WHERE HE LAST SAW UNDERSEC, ABU ISMAIL ACKNOWLEDGED HOW HELPFUL THAT MEETING HAD BEEN TO EGYPT AND HOW HE HAD, IN GENERAL TERMS AND THROUGH VARIOUS STATEMENTS, PUBLICLY INDICATED IMPORTANCE OF US HELP AT THIS CRITICAL TIME. UNDERSEC EXPRESSED APPRECIATION FOR CREDIT GIVEN TO US, BUT NOTED THAT USG WAS NOT INTERESTED IN CREDIT BUT RATHER IN CONTRIBUTION TO GOVERNMENT STABILITY OF WHATEVER HELP IT COULD ORGANIZE.

3. UNDERSEC TOLD ABU ISMAIL HE HAD EXPLAINED TO PRESIDENT SADAT OUR HOPES TO ANNOUNCE EMERGENCY ASSISTANCE TO EGYPT OF ABOUT \$1 BILLION IN JULY, NOTING THAT OUR SHARE OF \$250 MILLION WOULD BE AVAILABLE WITHIN NEXT FOUR MONTHS. \$70 MILLION WOULD BE PROVIDED NEXT DAY WHEN AMBASSADOR WOULD SIGN CIP LOAN AGREEMENT; ANOTHER \$80 MILLION CIP WOULD BECOME AVAILABLE IN AUGUST AND \$100 MILLION WOULD COME IN SEPTEMBER. UNDERSEC SAID HE HAD MET WITH EUROPEANS AND JAPANESE AND HOPED TO OBTAIN AT LEAST \$250 FROM THOSE SOURCES. IN RESPONSE TO AN ABU ISMAIL QUERY, UNDERSEC SAID HE HOPED EGYPT WOULD RECEIVE MINIMUM OF \$100 MILLION FROM JAPAN. ABU ISMAIL RELATED HIS HOPE THAT JAPANESE CONTRIBUTION WOULD REACH \$200 MILLION, NOTING HIS CONCERN THAT UNUSED PORTION OF EARLIER \$100 MILLION CREDIT WERE PROJECTS, AMOUNTING TO \$75 MILLION, WOULD BE APPLIED TO THEIR CONTRIBUTION. UNDERSEC SAID THAT HIS DISCUSSIONS WITH JAPANESE ONLY CONCERNED FINANCIAL ASSISTANCE FOR CURRENT ACCOUNTS.

4. NOTING DIFFICULTY IN OBTAINING CONTRIBUTIONS BECAUSE OF DONOR'S CONCERN OVER EGYPTIAN FINANCIAL MANAGEMENT, UNDERSEC STRESSED IMPORTANCE OF ROLE OF WORLD BANK IN THIS CONNECTION AND RECALLED THAT FINANCE MINISTER HIMSELF, AS PEOPLES ASSEMBLY MEMBER, HAD VOICED SIMILAR CRITICISM THIS ASPECT OF GOVERNMENT OPERATION. HE OBSERVED THAT WE HAD TALKED TO CONFIDENTIAL

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CERTAIN COMMERCIAL BANKS AND WERE HOPEFUL THAT, IN LIGHT OF \$1 BILLION EMERGENCY ASSISTANCE, BANKS WOULD EXTEND FURTHER LOANS ON MORE FAVORABLE TERMS. DESCRIBING USG EFFORTS, UNDERSEC SAID WE HAD RECEIVED ASSURANCES OF SUPPORT FROM THE NETHERLANDS, FRANCE, GERMANY AND POSSIBLY SPAIN (SMALL AMOUNT). HE REMARKED THAT, TO EXTENT GOE COULD SATISFY WORLD BANK, THAT ORGANIZATION WAS

CONSIDERING PROVIDING \$225 MILLION PROJECT LOAN FOR FY 76.

5. REFERRING TO \$1 BILLION TOTAL, ABU ISMAIL NOTED THAT DISCUSSION IN SALZBURG FOCUSED ON \$1.5 BILLION CONTRIBUTION TO BE ORGANIZED BY US. UNDERSEC OBSERVED, IN THIS CONTEXT, THAT IT WOULD BE HELPFUL IF SAUDI ARABIANS WOULD ASSIGN \$250 MILLION OF THEIR TOTAL CONTRIBUTION TO EGYPT TO OVERALL DONOR ASSISTANCE TOTAL HE WAS TRYING TO PUT TOGETHER. HE FELT THIS WOULD BE PARTICULARLY SIGNIFICANT IN TERMS OF OUR EFFORTS TO CONVINCE JAPAN TO CONTRIBUTE AND SAID HE WOULD DISCUSS THIS WITH SAUDI ARABIA FINMIN ABA KHALY FOLLOWING DAY.

6. IN DISCUSSION OF IRANIAN CONTRIBUTION, UNDERSEC NOTED THAT IRAN HAD INDICATED IT WOULD MAKE EFFORT TO RAISE ORIGINAL OFFER TO \$150 MILLION TO \$250 MILLION, PROVIDED ADDITIONAL \$100 MILLION CREDIT MILLION, PROVIDED ADDITIONAL \$100 MILLION CREDIT WOULD BE USED FOR PURCHASES IN IRAN. IN THIS CONNECTION HE ASKED WHETHER LIST OF COMMODITIES TO BE PURCHASED DURING REMAINDER FY 75, WHICH WE HAD REQUESTED, HAD BEEN PREPARED. ABU ISMAIL REPLIED THAT IT WAS READY IN ARABIC AND THAT TRANSLATION WOULD BE PROVIDED SHORTLY. IN DISCUSSING POSSIBLE COMMODITIES EGYPT COULD OBTAIN FROM IRAN, ABU ISMAIL MENTIONED EGYPTIAN ANNUAL REQUIREMENT FOR PURCHASE OF FOUR MILLION TONS OF PETROLEUM. ARRANGEMENTS HAD BEEN MADE TO OBTAIN 300,000 TONS OF THIS AMOUNT FROM IRAQ, BUT REMAINING REQUIREMENTS COULD BE PURCHASED FROM IRAN.

7. ABU ISMAIL STRESSED THE IMPORTANCE AND HELPFULNESS
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OF PLEDGE GIVEN BY PRESIDENT FORD AT SALZBURG THAT US WOULD CONTRIBUTE TO EGYPT'S ECONOMIC DEVELOPMENT. HE FELT THAT THIS STATEMENT AND THE AWARENESS OF US EFFORTS TO ORGANIZE EMERGENCY ASSISTANCE FOR EGYPT HAD A VERY FAVORABLE EFFECT ON GOE'S CREDITORS. CREDITORS HAD BECOME SOMEWHAT NERVOUS WHEN GOE HAD TO DELAY PAYMENTS ON EARLIER LOANS DUE TO FOREIGN CURRENCY SHORTAGE, BUT CREDITORS NOW SEEM TO BE LESS WORRIED.

8. ABU ISMAIL THEN ENCOURAGED UNDERSEC TO GATHER HIGHEST POSSIBLE AMOUNT OF ASSISTANCE HE COULD, SINCE EGYPT'S NEED FOR HELP WOULD ALSO CONTINUE IN 1976. HE HOPED THAT GOE WOULD BE IN GOOD FINANCIAL SHAPE AT START OF 1977. IF THIS COULD BE ACCOMPLISHED,

US WOULD HAVE SUCCEEDED VERY QUICKLY IN ECONOMIC FIELD,
AND THEN COULD CONCENTRATE ITS FURTHER EFFORTS
IN POLITICAL FIELD TO RESOLVE ARAB-ISRAELI PROBLEMS.
UNDERSEC INDICATED WE WOULD DO BEST WE COULD. HE
NOTED THAT RECENT ANNOUNCEMENT OF LARGE CREDITS FROM
SAUDI ARABIA AND KUWAIT RAISED QUESTION OF WHY
EGYPT NEEDED FUNDS IN ADDITION TO THOSE, BUT HE HAD
SOUGHT TO EXPLAIN THIS ON BASIS OF EGYPTIAN NEED
FOR SHORT TERM ASSISTANCE ON CURRENT ACCOUNT.

9. AT CONCLUSION OF MEETING ABU ISMAIL AGAIN
EXPRESSED GRATITUDE FOR US EFFORTS RE EMERGENCY
ASSISTANCE TO EGYPT, NOTING THAT GOE HAD NEVER IN
RECENT TIMES GONE THROUGH SUCH A CRITICAL PERIOD OF
DEMAND FOR FOREIGN EXCHANGE.
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